

Not Act.

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the extension by that international financial institution of any loan or the furnishing of any financial assistance or technical assistance to Peru during the fiscal year 1986 or any fiscal year thereafter, unless the certification required under paragraph (1) is made for that fiscal year.

(d) **PHARMACEUTICAL USES.**—In carrying out this section, coca produced solely for pharmaceutical purposes shall not be counted in determining amounts of production.

(e) **DEFINITIONS.**—As used in this section—
(1) the term "coca" means the coca bush (which is the plant of any species of the genus *Erythroxylon*) and the coca leaf (which is the leaf of the coca bush); and

(2) the term "United States assistance" has the same meaning as is given that term by section 481(i)(4) of the Foreign Assistance Act of 1961.

On page 63, line 1, insert "the certification required by section 509(c) is made and" after "only if".

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By Mr. BLAZ:

—At the end of title VI (page 142, after line 2) add the following new section:

SEC. 606. REPEAL OF LIMITATION ON TRANSPORTATION OF CERTAIN MOTOR VEHICLES THROUGH GUAM.

Section 652 of the Department of Defense Authorization Act, 1985 (Public Law 98-525; 98 Stat. 2550), is repealed.

By Mr. FOGLETTA:

—At the end of title II (page 29, after line 14) add the following new section:

SEC. 207. LIMITATION ON STRATEGIC DEFENSE INITIATIVE PROGRAMS.

None of the funds appropriated pursuant to authorizations of appropriations in this title for Strategic Defense Initiative programs may be used for development, demonstration, test, or evaluation of the use of weapons powered by nuclear explosions in space.

By Mr. GREEN:

—At the end of title I (page 22, after line 23) add the following new section:

SEC. 111. TEN-PERCENT REDUCTION IN PROCUREMENT ACCOUNTS.

The total amount obligated or expended from funds appropriated pursuant to the authorizations of appropriations in this title may not exceed 90 percent of the amount equal to the sum of the amounts authorized to be appropriated in this title.

By Mr. NICHOLS:

—Page 142, after line 19, add the following new section:

SEC. 802. ALLOWABLE COSTS.

(a) **REGULATION OF ALLOWABLE COSTS PAYABLE TO DEFENSE CONTRACTORS.**—(1) Chapter 137 of title 10, United States Code, is amended by adding at the end thereof the following new section:

"§ 2324. Allowable costs under defense contracts

"(a)(1) The Secretary of Defense shall require that a covered contract provide that if the contractor submits to the Department of Defense a proposal for settlement of indirect costs incurred by the contractor for any period after such costs have been accrued and if that proposal includes the submission of an indirect cost that has been expressly specified by statute or regulation as being unallowable—

"(A) that cost shall be disallowed; and

"(B) the contractor shall pay to the United States an amount equal to the greater of \$10,000 or—

"(i) the amount of the disallowed cost, plus interest; or

"(ii) if the cost is of a type that has been finally determined, before the submission of such proposal, to be expressly unallowable

to that contractor, an amount equal to twice the amount of the disallowed cost, plus interest.

"(2) An action by the Secretary under a contract provision required by paragraph (1) to disallow a cost and to require payment of a contractor—

"(A) shall be considered to be a final decision for purposes of section 6 of the Contracts Dispute Act of 1978 (41 U.S.C. 605); and

"(B) shall be appealable in the manner provided in section 7 of such Act (41 U.S.C. 606).

"(3) Interest under paragraph (1) shall be computed—

"(A) from the date on which the cost is questioned; and

"(B) at the applicable rate prescribed by the Secretary of the Treasury under section 6621 of the Internal Revenue Code of 1954.

"(b) The following costs are not allowable under a covered contract:

"(1) Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities).

"(2) Costs incurred to influence (directly or indirectly) congressional action on any legislation or appropriation matters pending before Congress.

"(3) Costs incurred in defense of any fraud proceeding brought by the United States where the contractor is found liable for fraud or has pleaded nolo contendere to a charge of fraud.

"(4) Fines and penalties resulting from violations of, or failure to comply with, Federal, State, or local laws and regulations, except when incurred as a result of compliance with specific terms and conditions of the contract or specific written instructions from the contracting officer.

"(5) Costs of membership in any social, dining, or country club or organization.

"(6) Costs of alcoholic beverages.

"(7) Contributions or donations, regardless of the recipients.

"(8) Costs of advertising designed to promote the contractor or its products.

"(9) Costs of promotional items and memorabilia, including models, gifts, and souvenirs.

"(10) Except as provided in subsection (c), costs for travel by aircraft to the extent that such costs exceed the amount of the standard commercial fare for travel by common carrier between the points involved.

"(c)(1) Subsection (b)(10) does not apply if travel by common carrier at standard fare—

"(A) would require travel at unreasonable hours;

"(B) would excessively prolong travel;

"(C) would result in overall increased costs that would offset potential savings from travel at standard commercial fare; or

"(D) would not meet physical or medical needs of the person traveling.

"(2) Subsection (b)(10) does not apply to travel by aircraft other than a common carrier if—

"(A) travel by such aircraft is specifically required for contract performance or is otherwise specifically authorized under the contract;

"(B) travel by common carrier is impractical; and

"(C) the travel performed is for business purposes and requires the use of such aircraft.

"(3) Costs for air travel in excess of that allowed by subsection (b)(10) may only be allowed by reason of one of the exceptions contained in paragraph (1) or by reason of paragraph (2) if the exception is fully docu-

mented and justified, including, in the case of an exception under paragraph (2), full documentation of the use of the aircraft for business purposes.

"(d)(1) The Secretary of Defense shall prescribe regulations to establish criteria for the allowability of indirect contractor costs under Department of Defense contracts. Such regulations shall be prescribed as part of the Department of Defense supplement to the Federal Acquisition Regulation. In developing specific criteria for the allowability of such costs, the Secretary shall consider whether reimbursement of such costs by the United States is in the best interest of the United States. Such regulations—

"(A) shall define in detail and in specific terms those costs that are unallowable under contracts entered into by the Department of Defense; and

"(B) shall provide that specific costs unallowable under one cost principle shall not be allowable under any other cost principle.

"(2) The regulations under paragraph (1) shall, at a minimum, clarify the cost principles applicable to contractor costs of the following:

"(A) Air shows.

"(B) Advertising.

"(C) Recruitment.

"(D) Employee morale and welfare.

"(E) Contributions of donations.

"(F) Community relations.

"(G) Dining facilities.

"(H) Professional and consulting services.

"(I) Compensation.

"(J) Selling and marketing.

"(K) Travel.

"(L) Public relations.

"(M) Hotel and meal expenses.

"(N) Membership in civic, community, and professional organizations.

"(3) Such regulations shall specify the circumstances under which clauses (A) and (B) of subsection (c)(1) may be applied.

"(4) Such regulations shall require that a contractor be required to provide current, accurate, and complete documentation to support the allowability of an indirect cost at the time a proposal for final settlement of indirect costs is submitted to the United States. If such documentation is not sufficient to support the allowability of the cost, the cost becomes expressly unallowable and is not subject to negotiation.

"(e)(1) The Secretary of Defense shall require the resolution of each cost which is challenged by the United States as being unallowable in the contractor's submission for final overhead settlement applied to covered contracts unless—

"(A) the contractor and the contracting officer cannot agree on the allowability of the cost under existing cost principles;

"(B) the contracting officer documents the reasons why an agreement cannot be reached; and

"(C) the contractor agrees that costs of that type will not be submitted to the Department of Defense for payment as an allowable indirect cost to the future.

"(2) The Secretary of Defense shall provide that, whenever feasible and practicable, the defense contract auditor be present at any negotiation or meeting with the contractor regarding a determination of the allowability of indirect costs of the contractor.

"(f)(1) A contractor that submits a proposal for final settlement of indirect costs applicable to a covered contract shall be required to certify that all indirect costs included in the proposal are allowable. Any such certification shall be in a form prescribed by the Secretary of Defense.

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"(2) The Secretary of Defense or the Secretary of the military department concerned may, in an exceptional case, waive the requirement for certification under paragraph (1) in the case of any contract if the Secretary—

"(A) determines that it would not be in the interest of the United States to require such certification; and

"(B) states in writing the reasons for that determination.

"(g) The Secretary of Defense shall provide that, in establishing the interim or provisional rates for payment of indirect costs to a defense contractor for which final settlement will be made at a later time, such rates shall be based upon amounts incurred by such contractor for indirect costs less any amount questioned by the agency with responsibility for audits of defense contracts.

"(h) In this section, 'covered contract' means a contract entered into by the Department of Defense for an amount more than \$25,000—

"(1) that is flexibly priced; or

"(2) for which cost or pricing data is required under section 2306(f) of this title."

(2) The table of sections at the beginning of such chapter is amended by adding at the end thereof the following new item:

"2324. Allowable costs under defense contracts."

(b) REGULATIONS.—Not later than 150 days after the date of the enactment of this Act, the Secretary of Defense shall prescribe the regulations required by subsection (d) of section 2423 of title 10, United States Code, as added by subsection (a). Such regulations shall be published in accordance with section 22 of the Office of Federal Procurement Act (41 U.S.C. 418b).

(2) Not later than 90 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the Committees on Armed Services of the Senate and House of Representatives—

(A) a copy of proposed regulations to be prescribed in accordance with paragraph (1); and

(B) a report identifying—

(i) the nature of the proposed changes that would be made by such proposed regulations to the current cost principles on the allowability of contractor costs; and

(ii) the potential effect of such changes on the allowability of contractor costs.

(c) EFFECTIVE DATE.—Section 2324 of title 10, United States Code, as added by subsection (a), shall apply only to contracts entered into on or after the date on which regulations are prescribed in accordance with subsection (b).

SEC. 3. SUBPOENAS OF DEFENSE CONTRACTOR RECORDS.

Section 2313 of title 10, United States Code, is amended by adding at the end thereof the following new subsection:

"(d)(1) The Secretary of Defense may require by subpoena the production of any books, documents, papers, or records of a contractor that are needed by the Secretary for the purposes of subsection (a) or the purposes of section 2306(f) of this title.

"(2) Any such subpoena, in the case of contumacy or refusal to obey, shall be enforceable by order of an appropriate United States district court.

"(3) The Authority of the Secretary of Defense under this subsection may only be delegated—

"(A) to an officer of the Department of Defense appointed by the President, by and with the advice and consent of the Senate; or

"(B) to the director of the defense agency or other element of the Department of Defense that has responsibility for audits of defense contracts."

SEC. 4. LIMITATION ON ASSIGNMENTS OF PRINCIPAL CONTRACTING OFFICERS.

(a) LIMIT ON TOURS OF DUTY AND REASSIGNMENTS.—The Secretary of Defense shall prescribe regulations—

(1) to limit to five years the maximum tour of duty for which an officer or employee under the jurisdiction of the Secretary may be assigned to represent the Department of Defense with a particular contractor as a principal contracting officer; and

(2) to provide that an officer or employee who has held a position as principal contracting officer with a contractor may not be reassigned to duty with that contractor for a period of five years after the end of the previous such assignment.

(b) WAIVER AUTHORITY.—The Secretary of Defense or the Secretary of the military department concerned may, in an exceptional case, waive the limitation in subsection (a) in the case of any officer or employee if the Secretary—

(1) determines that it would not be in the interest of the United States to apply such limitation in that case; and

(2) states in writing the reasons for that determination.

(c) DEFINITION.—For purposes of this section, the term "principal contracting officer" means—

(1) a principal corporate administrative contracting officer or deputy principal corporate administrative contracting officer; and

(2) a principal administrative contracting officer or deputy principal administrative contracting officer.

By Mr. REGULA:

—Page 172, after line 20, insert the following new section:

SEC. 1016. ESTABLISHMENT OF DEFENSE HEALTH AGENCY.

(a) IN GENERAL.—(1) Chapter 8 of title 10, United States Code, is amended by adding at the end thereof the following new section:

"§ 193. Defense Health Agency

"(a) There is in the Department of Defense a Defense Health Agency. The medical health-care systems of the Army, Navy, Marine Corps, and Air Force, and the facilities and resources thereof, shall be administered in policy and operation solely by the Defense Health Agency.

"(b) The Office of the Assistant Secretary of Defense of Health Affairs shall organize, in conjunction with the Army, Navy, Marine

Corps, and Air Force, the Defense Health Agency.

"(c) The Defense Health Agency shall function under the direction and control of the Assistant Secretary of Defense for Health Affairs. The Agency shall have sole authority and discretion over policy and operation of the medical health-care systems of the armed forces of the United States.

"(d) For the purposes of this section the Defense Health Agency shall be comprised of two offices, designated as the Office of Policy and Operation and the Defense Readiness Office. These Offices are authorized, and subject to, the individual responsibilities, powers, and limitations as set forth in this subsection. The Defense Health Agency shall proscribe and oversee the proper conduct of all functions delegated to the respective offices:

"(1) The Office of Policy and Operation shall be administered by the Assistant Secretary of Health Affairs. Said office shall administer the operation and policy of the health care delivery system; oversee and prescribe management information systems and perform statistical studies; control and allocate resources including the functions of accounting, budgeting, and cost containment; and administer research and development.

"(2) The Office of Defense Readiness shall be jointly administered by the Surgeons Generals of the Army, Navy, and Air Force. Said Office shall develop, implement, and assess policy regarding the readiness of the combat medical support in the operating and field forces; administer the policy and operation of health care delivery in field facilities in peacetime or war; supervise the training and development of health services personnel; administer service unique operational medical support; and prepare for necessary wartime medical mobilization."

(b) REQUIREMENT OF LICENSURE FOR PHYSICIANS PROVIDING CLINICAL CARE.—(1) Chapter 55 of title 10, United States Code, is amended by adding at the end thereof the following new section:

"§ 1094. Licensure of physicians providing clinical care

"No individual may act, or be employed, by the United States government, as a physician to provide clinical care unless the individual has received State licensure to practice medicine and said individual has satisfied any education credentials which may be required by the Secretary of the Department of Health and Human Services."

By Mr. SOLOMON:

—No person born after December 31, 1959 who is required to register with Selective Service System and who has not so registered shall be employed in civil service positions in the Federal Government.

—No person born after December 31, 1959 who is required to register with Selective Service System and who has not so registered shall perform service under any contract financed in whole or part by funds appropriated to the Department of Defense.